

Goal 6

People are the only source of a sustainable competitive advantage.

—Under Secretary Ted McPherson

GOAL 6. ESTABLISH MANAGEMENT EXCELLENCE

The Department of Education is focused on operating effectively to make the best possible use of taxpayer resources. To do so, the Department uses Goal 6 of the Department's *Strategic Plan* (Establishing Management Excellence), the *Blueprint for Management Excellence*, and the *President's Management Agenda* to direct its management priorities. All three documents focus on the importance of improving the strategic leadership of the Department's human capital, including using competitive sourcing to improve our processes and ensure that the right people are doing the job, developing and maintaining financial integrity, managing information technology to improve service for our customers, integrating budget and performance by linking funding decisions to results, reducing fraud and error in the federal student aid programs, and leveraging faith-based and community organizations to increase the effectiveness of Department programs.

Sound Financial Management Ensures Effective Use of Resources

Over the last several years, the Department of Education has significantly improved its financial management accountability. This achievement is evidenced by the Department's "clean opinions" on the audits of its fiscal year (FY) 2002, 2003, and 2004 financial statements (the Department had received a clean opinion only once before, in 1997).

These clean financial statement opinions acknowledge the Department's ability to provide accurate, reliable, and timely financial information that is useful for assessing performance and allocating resources. The Office of the Chief Financial Officer has developed the *Executive Fast Facts Information Summary* report designed to provide summary information for managers to use in implementing plans and measuring performance. *Executive Fast Facts* provides a monthly comprehensive overview of financial and program performance and is used as a tool throughout the Department to measure effectiveness and efficiency of program operations and assist managers in making management decisions. The Office of Federal Student Aid has created a similar management report—the

Federal Student Aid Executive Dashboard—that is specific to its operations. The *Executive Dashboard* provides current data on student aid applications, program disbursements, default collections, program performance measures, and system performance. It is provided to all managers weekly and is used at weekly senior officers meetings to track progress and determine if specific actions are required to address identified issues.

In recognition of its improved financial management accountability, the Department received the *Treasury & Risk Management's* FY 2004 Alexander Hamilton Award for using technology to ensure the effective and timely management of cash assets. The Department was cited for its unprecedented transformation of its cash reconciliation process. By implementing an automated reconciliation tool, the Department was able to improve the number of cash transactions that could be reconciled from 30 percent in FY 2000 to 99 percent in FY 2004. The Department is now able to reconcile 96 percent of its cash transactions within 30 days. These improvements led to the development of numerous analyses and charts, as well as data mining applications. Most important, these improvements enabled the Department to provide timely funding to our customers more effectively.

Strategic Management of Human Capital Supports Programs

The first step to achieving management excellence is to articulate clearly the results to be achieved. Senior officers and managers have and continue to take steps to ensure that Department employees have clearly articulated performance expectations tied to the overarching goals of the organization. Emphasis is placed on specifying how individuals can contribute to the successful performance of programs they manage. As a result, Department employees have the information to understand what is expected of them and for what they will be held accountable.

When results and expectations are clearly established at all levels of an organization, it allows the personnel to align their career development and skills training with

the expectations. It is critical that the organization invest effectively in training and development that supports its goals. Our employees can expect that their training and development opportunities will be based on the Department's needs. For example, issuing and overseeing grants is one of the Department's key lines of business; as such, the Department has taken significant steps to articulate clearly expectations for awarding and monitoring grants and has begun to develop training programs that allow grant program managers to become certified in grants monitoring and fiscal accountability.

In addition, the Department has also identified certain business activities and opened them to a competitive process among Department employees and the private sector to determine the best approach for completing the work. One such competition resulted in awarding the business activity to Department employees who presented a solution that restructured the payment processing functions by leveraging a proven information technology solution that centralizes and streamlines a costly and outdated manual process.

Information Technology Improves Services for Customers and Partners

The people of the Department of Education are investing in technology solutions. All of the Department's grant announcements are posted on the governmentwide Grants.gov Web site. Grants.gov allows organizations to electronically find competitive grant opportunities from all federal grant-making agencies and is the single access point for over 900 grant programs offered by the 26 federal grant-making agencies. The Department has already identified 50 grant programs that during FY 2005 will post grant announcements and receive grant applications on Grants.gov.

During FY 2004, approximately 77 percent of all Department discretionary grant competitions used an online grant application (compared to 5 percent in FY 2000). In addition, both the Office of Postsecondary Education and the Institute of Education Sciences have converted virtually their entire discretionary grant portfolios to use online processes. During FY 2004,

100 percent of the Institute of Education Sciences' and 97 percent of the Office of Postsecondary Education's discretionary grant applications used an online application; 100 percent of the Institute of Education Sciences' and 81 percent of the Office of Postsecondary Education's grant programs conducted the peer review process using an online system (this action resulted in significant logistical savings because reviewers did not have to travel to a central location to review and score grant applications). The Office of Postsecondary Education also developed a desktop application for managing their grant oversight/monitoring efforts.

The Department of Education is also investing in the Performance-Based Data Management Initiative, a multiyear effort to consolidate the collection of education information from states, districts, and schools in a way that improves data quality and reduces paperwork burden for all the national education partners. The system being developed under the Performance-Based Data Management Initiative will be a database repository that users can query to satisfy their information needs. The system will have analysis and reporting tools that allow users to obtain organized and formatted information about the status and progress of education in the states, districts, and schools. Specifically, it will allow program managers to structure monitoring consistent with performance information, and local educators will be able to use federal outcome data to inform local decision-making. The system is expected to be fully operational in FY 2005.

Effective Management of Student Financial Assistance Programs Reduces Risk

The Department of Education operates the Office of Federal Student Aid, which oversees over \$320 billion in loans and grants funding education for more than 13 million customers annually. In 1998, in an effort to simplify the delivery of federal student aid, improve customer service, and reduce costs, the Office of Federal Student Aid became one of the first federal performance-based organizations. To reduce risk and become a performance and results-oriented organization, the office

has used information technology to simplify and improve business processes and to manage cost. To achieve these results, the Office of Federal Student Aid has transformed the aid process from paper to electronic and implemented e-business solutions for postsecondary schools and financial institutions participating in the federal student aid programs.

One example of the success realized by the Office of Federal Student Aid is the 81 percent customer satisfaction rating of the student aid application process, on par with the highest rated products within the American Customer Satisfaction Index's E-commerce Index. This level of customer satisfaction is a direct result of increasing the percentage of electronic applications to 80 percent of all applicants (compared to 32 percent four years ago) and providing a response to online applications in fewer than 24 hours. Another example is that the Customer Satisfaction Index Scores for Direct Loan Servicing are better than those for such service companies as Wachovia Bank and Wal-Mart.

In managing and delivering federal student aid to college students throughout the country, the Office of Federal Student Aid has produced excellent customer satisfaction scores while managing an increased workload with improved productivity. The Office of Federal Student Aid also accomplished the following:

- Created \$1 billion of potential savings over the next 10 years by combining the functions of five separate systems into a single system that handles the Department of Education's direct loan servicing functions, loan consolidation processes, and collection activities for \$102.4 billion in outstanding student loans.
- Increased the efficiency of Direct Loan consolidations, which has resulted in a reduction of the related federal costs from \$111 per consolidation in FY 2001 to \$66 per consolidation in FY 2004.

These results show that the Department of Education is wisely managing resources in the delivery of federal student aid. They also help explain why long-term trends are showing that more Americans are attending

and completing college and why underrepresented groups are participating in larger numbers.

The Government Accountability Office (GAO), in its recent report, *Office of Federal Student Aid: Better Strategic and Human Capital Planning Would Help Sustain Management Progress*—GAO-04-922, has also recognized the significant progress the Office of Federal Student Aid has made in resolving financial integrity and management issues and sustaining improvements in the student financial assistance programs. To sustain that progress, GAO recommended that the Office of Federal Student Aid issue guidance for performing comprehensive compliance reviews, include measures and goals in its five-year performance plan and reports, revise its succession plan, evaluate human capital initiatives, and clarify the criteria for awarding bonuses. The Office of Federal Student Aid will address the report recommendations by, in part, continuing to demonstrate its strong commitment and senior-level leadership support for addressing issues and risks, ensuring proper capacity in terms of staff and resources, and developing comprehensive action plans along with appropriate monitoring and validation procedures. These actions will ensure that the Office of Federal Student Aid sustains the meaningful progress it has made in improving financial integrity and management.

Program Performance Informs Department Budget Decisions

The Department uses its budget formulation process to establish its principal annual operating plan. The annual operating plan refines the Department's priorities, activities, and policy direction for the year based on the overarching vision established in the *Strategic Plan*. This year, the Department increased its focus on strengthening the integration of budget and performance. We examined all of the program performance measures to ensure that the most appropriate measures are in place and that there are processes to collect the data associated with the measures.

The Department's FY 2005 budget proposal focuses new investments on programs with a demonstrated record of success in improving education outcomes and those that

have been fundamentally reformed by the No Child Left Behind Act. The Department used findings from the governmentwide Program Assessment Rating Tool (PART) to redirect funds from ineffective programs to more effective activities, as well as to identify reforms to help address program weaknesses. In February 2004, the Department reported the findings of 15 PART assessments conducted in conjunction with the formulation of the President's FY 2005 budget. The Department had sufficient performance information to demonstrate the effectiveness of one-third of these assessed programs. Because effectiveness was demonstrated for the multi-billion-dollar Pell Grant Program and other large grant programs, 52 percent of reviewed program dollars demonstrated effectiveness. In February 2005, the Department will release the results of another 27 PART assessments. Following the third round of PART assessments, the Department will begin to measure the extent to which programs are rated "results not demonstrated" for more than two years, consistent with the goals of the *President's Management Agenda*. To increase the amount of performance information available and to demonstrate results for programs initially rated results not demonstrated, the Department is improving the measurement, data collection, and evaluation of targeted programs.

Participation of Faith-Based and Community Organizations Expands Opportunities

Since FY 2001, the Department has doubled the participation of faith-based and community organizations in targeted discretionary grant programs, thereby demonstrating that barriers have been removed and that the playing field is more level. Since January 2003, the Department has increased from 11 to 159 the number of faith-based and community organizations approved to provide tutoring and other supplemental academic enrichment services under the No Child Left Behind Act, which increases the supply of providers so that more students receive tutoring services.

In support of the Faith-Based and Community Organizations Initiative, the Office of Vocational and

Adult Education within the Department of Education has launched the Community Partnerships for Adult Learning Project. The goal of this project is to learn from the successes of innovative community solutions and share these findings with others. The findings from the project so far are demonstrating that locally developed innovations, particularly those that involve cooperation between education programs and community and faith-based organizations, can effectively meet human needs.

Management Excellence Results in Recognition

The President's Quality Award Program is designed to recognize organizations that have documented high-performance management systems and approaches that address the objectives of the *President's Management Agenda*. The Department has submitted an FY 2004 application based on the significant achievements made in the area of financial performance. However, the Department's achievements in financial performance have already been recognized by several other accomplishments and awards:

- The Department of Education was the first cabinet-level agency and one of only five agencies to receive a green status score for financial performance under the *President's Management Agenda*.
- The Department of Education was the FY 2004 recipient of the *Treasury & Risk Management's* Alexander Hamilton Award for using technology to ensure the effective and timely management of cash assets.
- The Department's Director of Financial Management Operations, Terry Bowie, was the FY 2004 recipient of the Association of Government Accountants Achievement of the Year Award for his leadership and outstanding achievement in developing, implementing, and improving financial management in the federal government.

- The Department's Deputy Chief Financial Officer, Mark Carney, was the FY 2003 recipient of the Donald L. Scantlebury Memorial Award for Distinguished Leadership in Financial Management Improvement for his outstanding and continuous leadership in financial management that has resulted in significant economies, efficiencies, and improvements in the federal government.
- The Department of Education was the FY 2003 recipient of the Certificate in Excellence in Accountability Reporting awarded by the Association of Government Accountants for a clearly articulated, comprehensive, and integrated report on the financial and performance status of the agency.

Goal 6: Establish Management Excellence Status of President's Management Agenda Initiatives		
Initiatives	FY 2004	FY 2003
Financial Performance	Green	Red
Human Capital	Yellow	Yellow
Competitive Sourcing	Yellow	Yellow
E-Government	Yellow	Yellow
Student Financial Assistance Programs	Yellow	Yellow
Budget and Performance Integration	Yellow	Red
Faith-Based and Community Organizations	Yellow	Yellow

Performance Measure Summary

The Department has established the management results it seeks in Goal 6 of the *Strategic Plan*. Because Goal 6 aligns so closely with the *President's Management Agenda*, the Department has chosen to report our status on meeting our targets for Goal 6 in terms of our status on meeting the goals of the *President's Management Agenda*.¹

As a result of more effective operations, the Department of Education is one of only three cabinet-level agencies to have improved all of its status scores since the inception of the *President's Management Agenda* in FY 2002. In addition, the Department is one of only three cabinet-level agencies to have achieved a green status score on financial performance. The Department's *Strategic Plan* and the *President's Management Agenda* will continue to guide the Department's management improvement efforts.

¹ Details on the specific performance measures established for Goal 6 can be found in appendix A, pp. 210–223, of this document.

